

# **FISCAL EVASION IN ROMANIA AND ITS ECONOMIC AND SOCIAL CONSEQUENCES**

## **SUMMARY**

This thesis consists of introduction, three theoretical chapters, an applicative chapter followed by conclusions, suggestions and further developments.

In the first chapter, entitled The Concept of Tax Evasion, I tried to identify and present the main definitions given to the notion of tax evasion, emphasizing the approach of the Romanian legislator, who made this definition, in the Law no. 241 of 15 July 2005 on the prevention and combating of tax evasion.

After defining the concept, I presented the main features of the tax system, followed by the approach of the concept of tax fraud and the methods identified to date to fraud the tax system.

Once the process of identifying the topic of the scientific paper was finalized, I presented the main causes that lead to the emergence and development of tax evasion, emphasizing the factors that propagate the occurrence of tax evasion manifestation of the taxpayer.

The first chapter ends with statistical data and statistics considered relevant to the chosen topic.

In the second chapter, entitled Forms of manifestation of tax evasion, I focused on presenting the main forms of manifestation of tax evasion in Romania, depending on types of tax evasion, mode of operation, categories of taxes and taxes (profit tax , VAT, wage tax, excise duties).

Next, I approached the classification of tax evasion manifested in Romania in the last years, depending on the main priority areas of intervention, namely: production and marketing of energy products, production and utilization of alcohol and alcoholic beverages, marketing of tobacco products, production and marketing of agro-food goods , transport, tourism, construction and construction materials, timber, and black and gray labor.

The structure of the scientific research work continues to address the issues raised by the tax evasion applied to avoiding the payment of the value added tax levied on intra-Community transactions.

The following is a description of the carousel fraud method, shown schematically.

The second chapter is concluded by identifying and fixing the main economic and social effects of tax evasion (budgetary effects, economic effects, social effects, political effects).

In the third chapter, entitled "Internal Instruments and Institutions to Prevent and Combat Tax Evasion", we have schematized the main methods, measures, instruments and institutions involved in the constant, sinuous and costly struggle to prevent and combat the evasion phenomenon in Romania. Thus, the most effective way to discourage taxpayers from appealing to this practice has been identified as the measure of confiscation of goods.

Following the third chapter, we presented the main forms of international cooperation for combating tax evasion, then the concrete legislative and fiscal measures

initiated and applied by the Romanian legislator in order to declare Romania's position on preventing and combating tax evasion, namely measures to combat evasion tax, divided into a series of actions designed to be deployed at national and European level.

The third chapter of this paper was devoted to presenting the benefits to society of preventing and combating tax evasion in Romania, focusing on the reform of the tax administration, on improving the fiscal policy and on the administration of the state revenues, respectively on the inspection tax.

The last chapter of this scientific research paper was assigned to the case study.

This is a tax evasion scheme, to which 8 companies and 17 individuals were attracted.

Illicit activity took place over a period of about five years, during which the persons involved created a fraudulent tax circuit, costing the value of the commodity supplied and deducting VAT for upwardly unrealistic operations, creating the appearance of legality by registering the invoices of some suppliers, which only formally complied with the requirements of a supporting document, although the transactions were fictitious as a result, resulting in a diminishing of the taxable profit and, implicitly, of the corporate tax and VAT due to the state budget.

Each of the members of the group had a well-defined role, which is why the offense of initiation, constitution or adherence to an organized criminal group has been detained, which increases the seriousness of the acts committed by the individuals and legal entities involved.

The total amount of the damage caused to the state budget was calculated at the amount of **17.415.000 lei**, the equivalent of **3.935.127** euro.

The sums of money constituting the damage caused was integrated into a money laundering scheme whereby the criminal product was reintroduced into the legal circuit in order to benefit from it the members of the organized group studied.

Thus, the sums paid in the accounts of "can" companies, on the basis of invoices not reflecting actual transactions, began to return, for the most part, in cash, to the leaders of the organized criminal group. However, as the return to their possession could not be legally explained, they began to borrow part of those sums, that is their benefit from the criminal activity of the group they were coordinating, a part of the trading companies involved in the illicit fraud and laundering money from criminal activity.

For this purpose, they periodically concluded with the trading companies they also represented, private lending contracts, and even filed deposits with the company's accounts.